

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Annapolis Bancorp Inc

Point of Contact:	Edward J. Schneider	RSSD: (For Bank Holding Companies)	1472257
UST Sequence Number:	482	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	8,152,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Annapolis
Date Repaid ¹ :	N/A	State:	Maryland

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Total loans increased \$10.7 million or 3.8% to 290.8 million at December 31, 2012 from \$280.1 million at year-end 2010. Commercial loan demand continued to remain sluggish in 2011, but we remain committed to extending credit in the communities we serve.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Commercial real estate balances increased \$20.0 million, Commercial and Industrial loans decreased \$3.7 million, Construction increased \$1.5 million, residential real estate decreased \$5.3 million and consumer installment decreased by \$1.8 million.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☒ **Increase reserves for non-performing assets.**

The provision for credit losses in 2011 totaled \$2.2 million.

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

The Company recognized \$2.2 million in gross charge-offs in 2011.

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<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution.
Empty space for response	

<input type="checkbox"/>	Held as non-leveraged increase to total capital.
Empty space for response	

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

In providing a stable source of capital , by securing CPP funds the bank did not have to curtail or place limits on lending activity and was able to renew loans as they matured and continue new originations for the portfolio.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

It has enabled us to continue lending, while at the same time pro-actively address our problem loans and seek solutions with borrowers that are having difficulties. We've continued to make credit available in the communities in which we serve and additionally be a supportive corporate citizen within those communities. In October, the Annapolis and Anne Arundel County Chamber of Commerce presented BankAnnapolis with its 2011 Financial Services Award in recognition of the Bank's innovation and leadership in identifying products or services that best fit the needs of the community. In November 2011, BankAnnapolis was named Corporate Philanthropist of the Year by the Community Foundation of Anne Arundel County. This award honors a locally-based corporation for demonstrating exceptional generosity and outstanding civic and charitable responsibility.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.